

INDIVIDUAL ENTITY AUDIT REPORT

IDAHO PUBLIC TELEVISION

For the Fiscal Year Ended June 30, 2005



Report OP52005

Presentation by the

LEGISLATIVE SERVICES OFFICE

SERVING IDAHO'S

CITIZEN LEGISLATURE

LEGISLATIVE SERVICES' MISSION STATEMENT

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government, and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

LEGISLATIVE AUDITS' CHARGE

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code, Section 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriations Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

<u>DESCRIPTION</u>	<u>LEVEL OF SCRUTINY</u>
<i>COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)</i>	Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants issued under separate cover in the State's <i>Single Audit</i> .
<i>STATEWIDE SINGLE AUDIT REPORT</i>	Our opinion on the schedule of expenditures of federal awards in relation to the State's basic financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)</i> ; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's basic financial statements and the related opinion thereon.
<i>INDIVIDUAL ENTITY AUDIT REPORT</i>	Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance, and on internal control over financial reporting, based on an audit of financial statements performed in accordance with Government Auditing Standards; if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133</i> .
<i>MANAGEMENT REPORT ON FINANCIAL PROCEDURES</i>	A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.
<i>MANAGEMENT REPORT ON INTERNAL CONTROL</i>	A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

FOREWORD

PURPOSE OF AUDIT

Our fiscal/compliance audit of the Idaho Public Television (IPTV) was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the basic financial statements.
2. The degree of compliance with various rules and regulations affecting the fiscal operations of IPTV.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of IPTV for the fiscal year ended June 30, 2005.

We audited the data included in IPTV's accounting records, reports, budget documents, and various other administrative records. We also examined the activities and controls over the three "Friends" organizations and the Idaho Public Television Foundation.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Dale Post, CPA, Auditor-in-Charge
Shannon Thomas, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

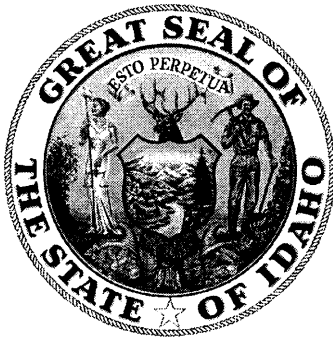
Ray Ineck, CGFM, Supervisor, Legislative Audits
Eugene Sparks, CPA, CGFM, Managing Auditor

GRAPHIC LOGISTICS

Rande Trueax

TABLE OF CONTENTS

Executive Summary	1
Agency Response	3
Independent Auditor's Report – Unqualified Opinion on the Basic Financial Statements	4
Management Discussion and Analysis	6
Government-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds	26
Note to Required Supplemental Information – Budgetary Reporting	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	28
Appendix	30



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO PUBLIC TELEVISION

PURPOSE AND SCOPE. We have audited the financial statements of Idaho Public Television (IPTV) for the fiscal year ended June 30, 2005, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit was to determine if IPTV's financial statements are materially accurate and reliable, and that IPTV complied with laws and regulations affecting fiscal operations.

In determining how to define IPTV for financial reporting purposes, management has considered all potential component units. The primary entity is IPTV, which includes a central management staff, three staffed stations (KAID, KISU, KUID), and an interconnection system between the ten public television transmitters in Idaho (KAID, KISU, KUID, KIPT, KCDT, KAID-DT, KISU-DT, KUID-DT, KIPT-DT, and KCDT-DT). The component units consist of IPTV Foundation, Friends of IPTV – KAID/KIPT, Friends of IPTV – KISU, and Friends of IPTV-- KUID/KCDT. The primary entity and component units are included in these basic financial statements.

CONCLUSION. We conclude that IPTV's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on IPTV's financial statements.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in either this report or the prior audit report.

AGENCY RESPONSE. The management of IPTV has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The following schedule briefly summarizes the financial operations of IPTV for the fiscal year ended June 30, 2005. Funding for the year included a \$1.6 million General Fund appropriation, a \$900,000 Community Service grant from the Corporation for Public Broadcasting, \$4.4 million transferred from various Foundation and Friends organizations, and \$267,000 in federal grants.

IDAHO PUBLIC TELEVISION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR 2005

	General Fund 0001	Other Funds	IPTV Component Units	Total
Revenues				
State General Fund Appropriation	\$1,591,328	\$0	\$0	\$1,591,328
Federal Grants	0	267,387	0	267,387
Contributions and Earnings	0	0	4,320,859	4,320,859
Other Miscellaneous Revenue	0	326,786	0	326,786
Payments to/(from) Affiliates	0	4,332,637	(4,332,637)	0
Total Revenues	\$1,591,328	\$4,926,810	(\$11,778)	\$6,506,360
Expenditures				
Programming/Production	\$197,425	\$1,978,599	\$13,031	\$2,189,055
Broadcasting	604,012	1,087,439	79,923	1,771,374
Program Information	1,719	382,471	0	384,190
Fund Raising/Development	454	888,337	69,595	958,386
Management/General	787,718	505,123	41,885	1,334,726
Total Expenditures	\$1,591,328	\$4,841,969	\$204,434	\$6,637,731
Excess (Deficiency) of Revenues Over Expenditures	0	84,841	(216,212)	(131,371)
Beginning Fund Balance – as Restated	0	68,569	5,970,609	6,039,178
Ending Fund Balance	\$0	\$153,410	\$5,754,397	\$5,907,807

OTHER ISSUES. We discussed other issues of lesser importance which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of Idaho Public Television and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the general manager, Peter Morrill, and his staff for their assistance and cooperation given to us during this audit.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits
Eugene Sparks, CPA, CGFM, Managing Auditor

Report OP52005

AGENCY RESPONSE



IDAHO PUBLIC TELEVISION
idahoptv.org

1455 North Orchard Street • Boise ID 83706 • Phone: (208) 373-7220 • Fax: (208) 373-7245

November 18, 2005

Eugene Sparks, CPA, CGFM
Managing Auditor
Legislative Auditor's Office
Statehouse
Boise ID 83720

Dear Gene,

Please consider this letter IdahoPTV's Agency Response to the Audit Report for the fiscal year ending June 30, 2005.

I appreciate the thoroughness and responsiveness of this year's audit team, Dale Post and Shannon Thomas.

Again, it was a pleasure working with you and your staff.

Warm regards,

Peter W. Morrill
General Manager

03



PBS



Legislative Services Office Idaho State Legislature

Carl F. Bianchi
Director

State Capitol
P.O. Box 83720
Boise, ID 83720-0054
208/334-2475; Fax 334-2125
www2.state.id.us/legislat

November 10, 2005

Unqualified Opinion on the
Basic Financial Statements

Independent Auditor's Report

Joint Finance-Appropriations Committee
of the Idaho State Legislature
State Capitol Building
Statehouse Mail

Senators and Representatives:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund for Idaho Public Television (IPTV) as of and for the fiscal year ended June 30, 2005, which collectively comprise IPTV's basic financial statements as listed in the table of contents. These financial statements are the responsibility of IPTV's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005, on our consideration of IPTV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

Mike Nugent, Supervisor
Research & Legislation
mnugent@lso.state.id.us

Jeff Youtz, Supervisor
Budget & Policy Analysis
jyoutz@lso.state.id.us

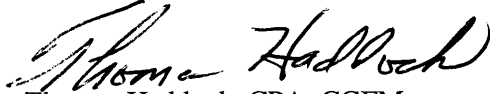
04 Ray Ineck, Supervisor
Legislative Audits
rineck@lso.state.id.us

Glenn Harris, Supervisor
Network Administration
gharris@lso.state.id.us

is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 10, and Budgetary Comparison Schedule and corresponding note on pages 26 and 27, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,



Thomas Haddock, CPA, CGFM
Legislative Audits

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of Idaho Public Television's (IPTV) basic financial statements provides an overall review of financial activities for the fiscal year ended June 30, 2005. The analysis provides comparative information for the current fiscal year and the prior fiscal year. The financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP).

FINANCIAL HIGHLIGHTS

- IPTV is partially funded by a General Fund appropriation of \$1,586,700. The final appropriation included no one-time funds, as part of the total funding needed to complete the Federal Communication Commission's (FCC) mandated conversion to digital television. However, \$8,300 in one-time funds were appropriated for a temporary 1% salary increase, contingent on the State General Fund balance at the end of the fiscal year. Having met the criteria for payment, this brought the total fiscal year 2005 General Fund appropriation for Idaho Public Television to \$1,595,000.
- In fiscal year 2005, IPTV received a Community Service grant from the Corporation for Public Broadcasting in the amount of \$929,870. Additionally, \$18,746 was received to help defray some of the interconnection costs.
- IPTV's Foundation and the three Friends of Idaho Public Television made payments of \$4,426,617 to Idaho Public Television Miscellaneous Revenue Fund (0349) during fiscal year 2005, an increase of \$569,805 from fiscal year 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to IPTV's basic financial statements. IPTV's financial statements are comprised of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. These government-wide financial statements are designed to provide readers with a broad overview of IPTV's finances, including IPTV's component units, in a manner similar to private sector businesses. These statements include a Statement of Net Assets and a Statement of Activities for IPTV in total.

The Statement of Net Assets presents information on assets and liabilities, with the difference reported as net assets. Analyzing increases or decreases in net assets is one way to measure IPTV's overall financial position and, may serve as an indicator of whether the financial position of IPTV is improving or deteriorating.

The Statement of Activities shows how IPTV's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements are on an accrual basis, which will result in cash flows for some of those items in future periods.

Fund Financial Statements. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. IPTV uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. IPTV uses one fund type – governmental funds.

Governmental funds are used to account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. However, the governmental fund statements present the different operations of IPTV and provide a short-term view of financial resources that can be used in the near future. Governmental fund information does not report long-term commitments that are reported on the government-wide statements. Reconciliations between the governmental funds and the government-wide statements are included.

IPTV has three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for each fund.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is helpful when analyzing data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents budget comparisons for the General Fund and Miscellaneous Revenue Fund to demonstrate compliance with the fiscal year 2005 budget.

The budget is a cash basis budget; the fund financial statements are modified accrual. Reconciliation between the two is completed, and the differences consist mainly of accrued payroll and accounts payable.

There was no holdback or negative supplemental for fiscal year 2005 that impacted IPTV's Budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator to determine whether a government's financial position is improving or deteriorating. At June 30, 2005, IPTV's assets exceeded liabilities by \$13,446,906, and 23% of net assets were unrestricted. Unrestricted assets may be used to meet IPTV's ongoing obligations. The remaining assets are investments in capital assets (e.g., land, building, and equipment) and the IPTV Foundation's permanent trust.

IDAHO PUBLIC TELEVISION – NET ASSETS

	2004	2005	Percentage Change
Current and Other Assets	\$6,582,420	\$6,211,056	
Capital Assets	<u>8,372,044</u>	<u>7,744,902</u>	
Total Assets	<u>\$14,954,464</u>	<u>\$13,955,958</u>	-6.7%
Current Liabilities	\$458,898	\$352,934	
Non-Current Liabilities	<u>311,640</u>	<u>156,118</u>	
Total Liabilities	<u>\$770,538</u>	<u>\$509,052</u>	-33.9%
Net Assets:			
Invested in Capital Assets	\$8,372,044	\$7,744,902	
Restricted	2,535,980	2,666,438	
Unrestricted	<u>3,275,902</u>	<u>3,035,566</u>	
Total Net Assets	<u>\$14,183,926</u>	<u>\$13,446,906</u>	- 5.2%

Total net assets include \$779,315 in the Friends of IPTV, KAID/KIPT, Inc.; \$202,033 in the Friends of IPTV, KISU, Inc.; \$54,039 in the Friends of IPTV, KUID/KCDT, Inc.; and \$4,719,010 in the IPTV Foundation, Inc.

Net assets decreased 5.2% to \$13,446,906, due primarily to depreciation expense. Long-term liabilities decreased with the expenditure of deferred revenue from the Albertson's Foundation that is being recognized over a five-year period at \$50,000 per year. Current liabilities decreased due to deferred revenue that was recognized in fiscal year 2005.

IPTV's capital assets include equipment necessary for transmission to five IPTV analog and five IPTV digital transmitters statewide: KAID Channel 4 and KAID-DT Channel 21 in Boise; KUID Channel 12 and KUID Channel 22 in Moscow; KCDT Channel 26 and KCDT-DT Channel 45 in Coeur d'Alene; KISU Channel 10 and KISU-DT Channel 17 in Pocatello; and KIPT Channel 13 and KIPT-DT Channel 22 in Twin Falls. For signals to reach the transmitters, IPTV utilizes a central master control in its Boise location and transmission equipment located on the Idaho Department of Administration's north/south and east/west microwaves. IPTV met the FCC deadline of May 1, 2003 to convert all its transmitters to allow digital service in Idaho, thus reserving all ten broadcast licenses both analog and digital. IPTV is currently applying for funds from federal, State, and private sources to upgrade studio and translator equipment into the congressionally mandated digital format.

Other capital assets include three studios with production facilities for editing and broadcasting in Boise, Moscow, and Pocatello. Assets include equipment for broadcast repair and maintenance, a computer network, office furniture, and 15 vehicles. Depreciation expense for fiscal year 2005 was \$1,128,372. Capital assets on June 30, 2005 totaled \$7,744,902.

IDAHO PUBLIC TELEVISION – STATEMENT OF ACTIVITIES

	2004	2005	Percentage Change
REVENUES:			
Program Revenues:			
Charges for Services	\$133,617	\$170,066	
Capital Grants	0	235,580	
Operating Grants	<u>162,915</u>	<u>184,772</u>	
Total Program Revenues	\$296,532	\$590,418	99.1%
General Revenues:			
Appropriations from General Fund	\$1,584,878	\$1,591,328	
Contributions	1,951,599	1,991,159	
Underwriting	719,771	720,554	
Corporate Match	88,247	24,812	
Income on Investments	126,239	149,965	
Restricted investment endowment	82,751	103,490	
Net Unrealized and Realized Gains/Losses on Investments	43,163	102,739	
Loss on Salvaged Equipment	(21,748)	(41,597)	
CPB Community Service Grant and Interconnect	884,268	929,870	
Unrestricted Grants and Contributions	269,369	392,250	
Gain on Sale of Equipment	<u>0</u>	<u>3,755</u>	
Total General Revenues	<u>\$5,728,537</u>	<u>\$5,968,325</u>	4.2%
Total Revenues	<u>\$6,025,069</u>	<u>\$6,558,743</u>	8.9%
EXPENSES:			
Programming/Production	\$2,456,193	\$2,321,315	
Broadcasting	2,254,593	2,266,558	
Program Information	391,553	383,385	
Fund Raising/Development	872,151	963,373	
Management/General	1,235,767	1,361,550	
Educational Services	<u>(11,923)</u>	<u>0</u>	
Total Expenses	<u>\$7,198,334</u>	<u>\$7,296,181</u>	1.4%
Increase/(Decrease) in Net Assets	(\$1,173,265)	(\$737,438)	
Net Assets beginning (as Restated)	<u>15,357,194</u>	<u>14,184,344</u>	
Net Assets ending	<u><u>\$14,183,929</u></u>	<u><u>\$13,446,906</u></u>	(5.2%)

Revenue for fiscal year 2005 was up from fiscal year 2004, but was offset slightly by a small increase in expenditures.

There is a \$415 difference in the beginning net assets value for fiscal year 2005 and the ending balance in fiscal year 2004, created by an adjustment due to a prior period P-card adjustment.

IPTV is funded from General Fund revenues, the Corporation for Public Broadcasting Community Service Grant, contributions, and miscellaneous revenue. Miscellaneous revenue is derived from intergovernmental services, services provided to the public, and operational grants. The amount of support received from private contributions and the State General Fund depends heavily on the overall state of the economy.

FINANCIAL ANALYSIS OF IDAHO PUBLIC TELEVISION'S FUNDS

IPTV accounts for operating activities in three major funds: the General Fund, the Federal Fund, and the Miscellaneous Fund.

The General Fund is a primary operating fund for IPTV, used to account for the State General Fund appropriation. The fund is used to pay for personnel costs, administrative costs, and to purchase capital assets. The fiscal year 2005 General Fund ending appropriation, was \$1,595,000. There was no appropriation from the Joint Finance-Appropriations Committee to help defray the cost of replacing outdated analog television equipment with new congressionally mandated digital television equipment in fiscal year 2005.

The Miscellaneous Fund is also a primary operating fund for IPTV. This fund received a legislative appropriation of about \$861,800 in fiscal year 2005, and non-cognizable funds from the Friends of Public Television, the Public Television Foundation, and the Corporation for Public Broadcasting of \$4,426,617 in fiscal year 2005. Idaho Code, Section 67-3516(2) allows the Idaho Division of Financial Management, with Board of Examiner approval, to increase the spending authority when funds other than State funds become available (i.e., funds that were not known about or the amounts that could not be determined at the time appropriations were made). Money receipted into the Miscellaneous Fund is used to pay personnel costs, programming costs, and general operating costs.

The Federal Fund is used to receive federal grant money and to pay for capital equipment projects. The federal funds are from Ready-to-Learn, a PBS project; the Federal Department of Commerce; and the Department of Agriculture's Rural Utility Service.

The fund balance increased \$200,857 during fiscal year 2005 in the Miscellaneous Fund because of an accounts receivable generated by a grant fund that had not been reimbursed by the end of the fiscal year. The fund balance in the Federal Fund decreased \$116,302 because of the difference between grant revenues from the Department of Agriculture and grant expenditures incurred.

The long-term debt recognizes an amount for compensated absences, which decreased by \$5,837. Additional information is provided in Note 3. Capital assets decreased by \$627,142, mainly due to the difference between depreciation and capital purchases. Additional information may be found in Note 6.

FUTURE ECONOMIC FACTOR

The U.S. Senate and the U.S. House of Representatives have recently passed separate legislation ending analog television by 2006. However, this could have unfortunate consequences for the State of Idaho and rural Idahoans who receive IPTV's signal from a statewide system of rural translators.

While IPTV has been successful in converting its five main television *transmitters* to the federally mandated digital standard, the same cannot be said for its statewide system of rural *translators*. IPTV must still convert 30 rural analog translators to digital-standard capabilities. At an average of \$60,000 per translator site, the digital upgrade will likely cost approximately \$1.8 million. To date, the State of Idaho has provided funding for one translator (Sandpoint FY 04). With the exception of this one digital translator, IPTV has been unsuccessful in its last three requests for State funding to upgrade the remaining rural translator sites.

In short, without additional funding, IPTV could soon be required to shut down all analog translators that are not upgraded and return the broadcast license to the federal government. This would be a financial loss to the State, and it would leave rural Idahoans without a way to receive the statewide digital signal.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005

	Total Primary Governmental Activities	Component Units				Total
		Friends of KAID	Friends of KISU	Friends of KUID	IPTV Foundation	
ASSETS						
Current:						
Cash and Cash Equivalents	\$86,052	\$85,488	\$74,737	\$18,343	\$856,683	\$1,121,303
Investments	0	555,507	88,272	0	1,239,348	1,883,127
Due from State	60,036	0	0	0	0	60,036
Accounts and Interest Receivable	151,882	256	46	0	8,057	160,241
Pledges Receivable	0	151,975	31,073	29,625	78,119	290,792
Intragency Receivables	0	113	7,905	6,279	554	14,851
Inventories and Prepaid Expense	43,948	0	0	0	0	43,948
Restricted Assets:						
Cash and Cash Equivalents	0	0	0	0	218,134	218,134
Investments	0	0	0	0	2,418,624	2,418,624
Capital assets (net of accumulated depreciation)						
Buildings	425,881	0	0	0	0	425,881
Equipment	7,319,021	0	0	0	0	7,319,021
Total Assets	\$8,086,820	\$793,339	\$202,033	\$54,247	\$4,819,519	\$13,955,958
LIABILITIES						
Payroll and Benefits Payable	\$88,180	\$0	\$0	\$0	\$0	\$88,180
Intragency Payables	0	14,024	0	208	509	14,741
Accounts payable	100,328	0	0	0	0	100,328
Deferred Revenue	0	0	0	0	50,000	50,000
Long-term Liabilities						
Compensated Absences Due Within One Year	99,685	0	0	0	0	99,685
Compensated Absences Due in More Than One Year	106,118	0	0	0	0	106,118
Deferred Revenue	0	0	0	0	50,000	50,000
Total Liabilities	\$394,311	\$14,024	\$0	\$208	\$100,509	\$509,052
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	\$7,744,902	\$0	\$0	\$0	\$0	\$7,744,902
Restricted Permanent Trust - Non-Expendable	0	0	0	0	2,666,438	2,666,438
Unrestricted	(52,393)	779,315	202,033	54,039	2,052,572	3,035,566
Total Net Assets	\$7,692,509	\$779,315	\$202,033	\$54,039	\$4,719,010	\$13,446,906

The accompanying notes are an integral part of these financial statements

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net (Expenses) Revenue and Changes in Net Assets									
Primary Governmental Activities		Component Units							
		Friends of KAID	Friends of KISU	Friends of KUID	IPTV Foundation	Total			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions					
Primary Government:									
Governmental Activities									
Programming/Production	\$2,308,284	\$2,515	\$148,337	\$0					
Broadcasting	2,186,635	30,153	30,181	235,580					
Program Information	383,385	0	0	0					
Fund Raising/Development	893,778	129,133	4,961	0					
Management/General	1,319,665	8,265	1,293	0					
Total Primary Government	\$7,091,747	\$170,066	\$184,772	\$235,580					
Component Units:									
Programming/Production	\$13,031	\$0	\$0	\$0					
Broadcasting	79,923	0	0	0					
Program Information	0	0	0	0					
Fund Raising/Development	69,595	0	0	0					
Management/General	41,885	0	0	0					
Total Component Units	\$204,434	\$0	\$0	\$0					
General Revenues:									
State Appropriation	1,591,328	0	0	0					
Contributions	0	1,479,396	325,944	185,819					
Corporate Match	0	9,996	0	200					
Underwriting	0	58,620	27,684	11,075					
CSG Grant	0	0	0	0					
Grants and Contributions Not Restricted to Specific Programs	0	61	0	0					
Unrestricted Investment Earnings	0	14,775	4,538	41					
Restricted Foundation Endowment	0	0	0	0					
Net Increase/Decrease in Fair Value of Investments	0	5,005	5,014	0					
Gain on Sale of Equipment	3,755	0	0	0					
Loss on Salvaged Equipment	(41,597)	0	0	0					
Payments to/(from) Affiliates	4,426,617	(1,379,424)	(360,380)	(221,416)					
Total Revenues	\$5,980,103	\$188,429	\$2,800	(\$24,281)					
Change in Net Assets	(\$521,226)	\$145,630	(\$468)	(\$26,007)					
Net Assets - Beginning (as Restated)	8,213,735	633,685	202,501	80,046					
Total Net Assets - Ending	\$7,692,509	\$779,315	\$202,033	\$54,039					

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	General Fund	Miscellaneous Fund	Federal Fund	Total
ASSETS				
Cash and Cash Equivalents	\$0	\$74,625	\$11,427	\$86,052
Accounts and Interest Receivable	0	4,117	147,765	151,882
Due from State	60,036	0	0	60,036
Due from Other Funds	0	248,120	0	248,120
Inventories and Prepaid Expense	0	43,948	0	43,948
Total Assets	\$60,036	\$370,810	\$159,192	\$590,038

LIABILITIES AND FUND BALANCES

Liabilities

Payroll and Benefits Payable	\$25,652	\$62,528	\$0	\$88,180
Due to Other Funds	0	0	248,120	248,120
Accounts Payable	34,384	48,416	17,528	100,328
Total Liabilities	\$60,036	\$110,944	\$265,648	\$436,628

Fund Balances

Reserve for:				
Inventories and Prepaid Expenses	\$0	\$43,948	\$0	\$43,948
Unreserved Reported in:				
General Fund	0	0	0	0
Special Revenue	0	215,918	(106,456)	109,462
Total Fund Balances	\$0	\$259,866	(\$106,456)	\$153,410
Total Liabilities and Fund Balances	\$60,036	\$370,810	\$159,192	\$590,038

**RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

Total Fund Balances - Governmental Funds	\$153,410
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,744,902
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(205,803)
Net Assets of Governmental Activities	<u>\$7,692,509</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Miscellaneous Fund	Federal Fund	Total
Revenues				
Federal Grants	\$0	\$0	\$267,387	\$267,387
Book and Video Sales	0	128,946	0	128,946
Other Miscellaneous Revenue	0	197,840	0	197,840
Total Revenues	\$0	\$326,786	\$267,387	\$594,173
Expenditures				
Current:				
Programming/Production	\$197,425	\$1,919,142	\$59,457	\$2,176,024
Broadcasting	586,388	612,915	28,065	1,227,368
Program Information	1,719	382,471	0	384,190
Fund Raising/Development	454	888,337	0	888,791
Management/General	787,718	505,123	0	1,292,841
Capital Outlay:				
Broadcasting	17,624	150,292	296,167	464,083
Total Expenditures	\$1,591,328	\$4,458,280	\$383,689	\$6,433,297
Revenues Over (Under) Expenditures:	(\$1,591,328)	(\$4,131,494)	(\$116,302)	(\$5,839,124)
Other Financing Sources (Uses)				
State General Fund Appropriation	1,591,328	0	0	1,591,328
Payments from Affiliates	0	4,332,637	0	4,332,637
Total Other Financing Sources	\$1,591,328	\$4,332,637	\$0	\$5,923,965
Net Change in Fund Balances	\$0	\$201,143	(\$116,302)	\$84,841
Fund Balances - Beginning (as Restated)	0	58,723	9,846	68,569
Fund Balances Ending	\$0	\$259,866	(\$106,456)	\$153,410

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balances - Total Governmental Funds	\$84,841
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,128,372) exceeded capital outlays (\$558,064) in the current period. The capital outlay amount of \$558,064 includes \$93,980 of capital equipment purchased by component units and transferred to the State.	(570,308)
The net effect of the disposal of capital assets is to decrease net assets.	(41,597)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.	5,838
Change in Net Assets of Governmental Activities	<u>(\$521,226)</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Idaho Public Television (IPTV) conform to the Corporation for Public Broadcasting, as applicable to public broadcasting stations. IPTV financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The following is a summary of the more significant policies.

REPORTING ENTITY

IPTV is a State agency. In determining how to define IPTV for financial reporting purposes, management has considered all potential component units in accordance with *GASB Statements 14* and *39*. The primary entity is IPTV, which includes a central management staff, three staffed stations (KAID, KISU, KUID), and an interconnection system among the ten public television transmitters in Idaho (KAID, KISU, KUID, KIPT, KCDT, KAID-DT, KISU-DT, KUID-DT, KIPT-DT, and KCDT-DT).

The component units are reported in separate columns in the government-wide statements to emphasize that they are legally separate from IPTV; however, IPTV is able to impose its will upon these component units. The Federal Communications Commission (FCC) allows on-air fund raising conducted for Friends groups but with a significant restriction that all support go to the licensee. The component units consist of the IPTV Foundation, Friends of IPTV KAID/KIPT, Friends of IPTV/KISU, and Friends of IPTV KUID/KCDT. The component units are not included in the fund statements. The fund statements consist of governmental funds.

The Friends organizations and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

IPTV contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho and IPTV is not the major participant in the plan; therefore, the plan's financial statements are not included in this report.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all IPTV activities and discretely presented component units. Within the government-wide financial statements, all of IPTV's activities are reported as governmental activities. These activities are financed primarily through General Fund appropriations and contributions from the Foundation and Friends organizations.

The statement of net assets presents IPTV's assets and liabilities with the difference reported as net assets. Net assets are reported in three categories:

1. Investments in capital assets are the net of accumulated depreciation reduced by any outstanding debt.
2. Restricted net assets result when constraints are externally imposed by contributors, by law, or by enabling legislation on how the assets can be used.
3. Unrestricted net assets are those not meeting the definition of the two preceding categories. Often these have resource constraints imposed by management that can be removed or modified.

The Statement of Activities shows the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, and other items not meeting the definition of program revenues are reported as general revenue.

The fund financial statements are separate statements provided for each of IPTV's funds; each fund is reported in a separate column. IPTV has three major funds as described below:

General Fund

This fund is used to account for financial resources from State appropriations. The General Fund is the primary source used to pay the costs of administration, transmission, personnel, capital outlay, and operations of IPTV.

Miscellaneous Fund

This is IPTV's primary operating fund. It accounts for money received from the Corporation for Public Broadcasting, video sales, and transfers from the Friends organizations to the State. These funds are used to pay personnel costs, programming costs, and general operating costs.

Federal Fund

This fund is used to receive federal grant money and to pay for capital equipment projects. The grants are from the U.S. Department of Commerce, Department of Education, and the U.S. Department of Agriculture.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the Statement of Net Assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. IPTV considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Funds from the sale of services, books, and videos, as well as any interest may be accrued. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds.

ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

IPTV's primary governmental fund cash and cash equivalents are considered to be cash on hand and are on deposit with the State Treasurer's Office. The cash and cash equivalents identified for component units are cash in checking and savings accounts, money market accounts, and petty cash.

Investments

Investments are reported at fair value. Additional disclosure is identified in Note #2.

Accounts/Interest/Pledges Receivable and Receivable Due from State

The majority of receivables are pledges and interest. The receivable from the State is the amount remaining in the General Fund appropriation to pay current outstanding liabilities.

Inventories and Prepaid Expenses

Inventories are valued at cost, primarily using the first-in, first-out method, and they are reported under the consumption method.

Intragency Receivables and Payables

Intragency receivables and payables are funds due to and from the discretely presented component units. These are funds that have been deposited into a common account until they can be identified as to which Friends' account they belong.

Restricted Assets

Certain receipts are classified as permanently restricted assets under the IPTV Foundation, a component unit. This restriction results from donor-imposed restrictions that require the resources to be permanently maintained. However, IPTV may expend all or part of the income or other economic benefits derived from the donated assets.

Capital Assets

Capital assets are reported at cost or, if the assets are donated, at the market value on the date of the donation. Only capital assets valued at \$5,000 or more are capitalized. Depreciation is recorded using the straight-line method. The value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Equipment	5-30
Building Improvements	15-40

Maintenance, repairs, and minor remodels are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note #6.

Encumbrances

IPTV considers encumbrances to be expenditures for budgetary purposes. Encumbrance accounting reserves a portion of the applicable appropriation for such things as purchase orders, contracts, and other commitments for future expenditures. This accounting is used as an extension of the formal budgetary procedures. There were no ending encumbrances in fiscal year 2005.

REVENUES AND EXPENDITURES/EXPENSES

In the government-wide statement of activities, revenues, and expenses are segregated by activity (government or component unit) and by function (programming, production, broadcasting, etc.). Additionally, revenues are classified as program or general revenues. Program revenues include charges to customers or applicants for goods, services, or privileges provided and certain grants and contributions. General revenues include General Fund appropriation, general contributions, and general grants. In the government-wide statement of activities, all internal transfers (to/from) are eliminated. These are shown in the fund statements.

In the governmental fund financial statements, revenues are reported by source. These revenues are available to fund any activity accounted for in the fund.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures were for equipment primarily related to the conversion to digital television. A more in-depth breakout of capital expenditures is shown in Note #6.

Financing Sources (Uses)

The additions to governmental fund balances in the fund financial statements include IPTV's General Fund appropriation and payments from discretely presented component units.

Variances in Statements and Notes

Amounts may differ in schedules and notes due to rounding.

Deposits

GASB Statement No. 40 requires certain disclosures regarding policies and practices with respect to investments and the associated risks.

IPTV follows policies and procedures of its governing board, the State Board of Education.

NOTE #2

CASH AND INVESTMENTS

Credit Quality Ratings

At June 30, 2005, IPTV had the following credit quality ratings:

Investment Type	Fair Market Value	Aaa	Aa	A	Baa	A-1	Unrated
Commercial Paper	\$499,620	\$0	\$0	\$0	\$0	\$499,620	\$0
Mutual Funds	1,439,346	0	0	0	0	0	1,439,346
Corporate Debt Securities	776,841	143,573	189,207	218,674	225,387	0	0
FNMA Corporate	1,272	0	0	0	0	1,272	0

Concentration of Credit Risk

IPTV has some concentration of credit risk. It holds \$499,620 of American Express short-term commercial paper, representing approximately 11% of its total portfolio.

Interest Rate Risk

The following table represents IPTV's investment maturities at June 30, 2005.

Debt Security Investments – Investment Maturities in Years					
Investment Type	Fair Market Value	Less than 1	1-5	6-10	11-15
Commercial Paper	\$499,620	\$499,620	\$0	\$0	\$0
U.S. Government Obligations	40,612	0	40,612	0	0
Corporate Debt Instrument	766,841	20,164	421,838	334,839	0
Mutual Funds	1,266,813	0	92,185	1,174,628	0
Federal National Mortgage Association	1,272	0	0	0	1,272

Donor Restricted Investments

IPTV holds investments with a fair value of \$4,944,265 (June 30, 2005) in the form of cash equivalents, commercial paper, U.S. Government obligations, U.S. agency obligations, corporate debt instruments, and mutual funds. Investments are held in the name of the Foundation. The principal amount with a fair value of \$2.6 million is to remain intact for donor-restricted purposes. The IPTV Foundation Board is an advisory board and advises the amount of net appreciation that IPTV could spend. IPTV determines the purpose of the expenditures. At June 30, 2005, there was no net appreciation available for expenditure.

NOTE #3

COMPENSATED ABSENCES

State of Idaho employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and Idaho law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For purposes of earning and accruing overtime, there are three general classes of employees:

1. Those earning overtime at 1.5 times regular pay rates and who may be paid for the overtime or take time off.
2. Those earning overtime at their regular pay rate and who may only take time off.
3. Those ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is similar to vacation leave but is not subject to any limitation. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

Shown below is the total value of leave that has been accrued by IPTV employees as of June 30, 2005. These amounts are accrued in the government-wide financial statements when the benefits are incurred. A liability for the amount is reported in the governmental funds only if it has matured, for example, as a result of employee resignation or retirement.

	Hours <u>Accrued</u>	Due in <u>1 Year</u>	Due in More than <u>1 Year</u>	Total <u>Value</u>
Vacation	8,483	\$78,100	\$93,719	\$171,819
Earned Admin. Leave	708	6,961	8,415	15,376
Compensatory Time	<u>973</u>	<u>14,624</u>	<u>3,985</u>	<u>18,609</u>
Total	<u>10,164</u>	<u>\$99,685</u>	<u>\$106,119</u>	<u>\$205,804</u>

Changes in Compensated Absences

	<u>Hours</u>	<u>Amount</u>
Beginning Balance	10,357	\$211,641
Increases	11,350	217,908
Decreases	<u>(11,543)</u>	<u>(223,745)</u>
Total	<u>10,164</u>	<u>\$205,804</u>

NOTE #4
PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits when they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2004, the required contribution rate for general employees was 9.77% and 5.86% of covered payroll for IPTV and its employees, respectively. For the year ended June 30, 2005, the required contribution rates increased to 10.39% and 6.23%. IPTV's contributions required and paid were \$206,209, \$197,993, and \$212,844 for the three years ended June 30, 2003, 2004, and 2005, respectively.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period.

NOTE #5

COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit, grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG's) to qualifying public telecommunications entities. CSG's are used to augment the financial resources of public broadcasting stations, thereby enhancing the quality of programming and expanding the scope of public broadcasting services. Each CSG may be expended during one or two federal fiscal years as described in the *Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement*. Each grant must be expended within two years of the initial grant authorization. These grants are not considered federal grants.

According to the Communications Act, funds may be used at the recipient's discretion. Public broadcasters use these funds primarily to transmit, produce, and acquire programming for the purposes of public broadcasting. The grants also may be used to sustain activities that were started with CSG's awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating funds. However, to maintain eligibility and to comply with requirements, certain guidelines must be satisfied when applying for and using the grants. These

guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the FCC.

The CSG's received and expended during the most recent fiscal years were:

Grant Year	Grant Amount	Expended		Balance
		FY 2004	FY 2005	
10/1/03-9/30/05	\$884,268	\$196,644	\$687,624	\$0
10/1/04-9/30/06	929,870	0	194,467	735,403

NOTE #6

CHANGES IN PROPERTY AND EQUIPMENT

Capital assets, which include property and equipment, are reported at cost when purchased or constructed. If acquired by gift, they are recognized at the estimated fair market value at the date of the gift. Expenses for repairs or maintenance are charged to operating expenses as incurred.

A summary of recorded changes in property and equipment follows:

	Book Value at 6/30/04	Additions	Deletions	FY 05 Depreciation	Book Value at 6/30/05
Studio	\$1,003,879	\$213,131	\$0	(\$343,384)	\$873,626
Transmission	7,012,936	26,181	(41,596)	(724,825)	6,272,696
Vehicles	39,822	60,848	0	(21,603)	79,067
Furniture/Fixtures	22,557	92,413	0	(21,338)	93,632
Building Improvements	<u>292,850</u>	<u>150,253</u>	<u>0</u>	<u>(17,222)</u>	<u>425,881</u>
Total	<u>\$8,372,044</u>	<u>\$542,826</u>	<u>(\$41,596)</u>	<u>(\$1,128,372)</u>	<u>\$7,744,902</u>

Function	Fiscal Year 2005 Depreciation
Programming/Production	\$135,729
Broadcasting Program Information	960,052
Fund Raising/Development	3,774
Management/General	<u>28,817</u>
Total	<u>\$1,128,372</u>

NOTE #7

LEASES

IPTV is committed to the following ongoing operating leases:

- Orchard Partners for the main office in Boise and the media room; total lease expense for fiscal year 2005 was \$339,763.
- Thomas V. Faerber for the Lewiston Hill microwave site; total lease expense for fiscal year 2005 was \$1,500.
- King Broadcasting for the Deer Point Tower site; total lease expense for fiscal year 2005 was \$8,800.

- Riverview Industrial Park Chinden for storage space; total lease expense for fiscal year 2005 was \$6,164.
- Moscow Mini Storage/George Branson for storage facilities; the lease expense for fiscal year 2005 was \$1,452.
- Idaho Power for pole leases; the lease expense for fiscal year 2005 was \$4,535.

Future minimum lease payments are summarized below:

<u>Lease</u>	<u>Amount</u>
Year 2006	\$377,376
Year 2007	380,869
Year 2008	384,922
Year 2009	384,922
Year 2010	384,922
Years 2011-2015	1,924,611
Years 2016-2020	1,924,611
Years 2021-2025	<u>1,924,611</u>
Total	<u><u>\$7,686,844</u></u>

NOTE #8

IN-KIND CONTRIBUTIONS

In-kind contributions used for fund raising are not eligible for matching funds in the Annual Financial Report completed for the CPB's Community Service Grant. In-kind donations that are eligible are included in this report for the benefit of the CPB and the reader of this report. In-kind contributions consist of services from donors toward production and broadcasting activities, as well as other types of support. The values of the contributions are shown below and are only reported in this section not the financial statements.

In-kind donations classified under broadcasting/production include donated space in the Statehouse and other donated equipment and services. Donations classified as communication and administration include donated services, donated space, and statewide allocated costs. Following are valuations of donated contributions in fiscal year 2005.

<u>In-Kind Contributions</u>	
Broadcasting/Production	\$278,274
Communications	31,823
Administration	<u>202,326</u>
Total	<u><u>\$512,423</u></u>

NOTE #9

FEDERAL GRANTS

During fiscal year 2005, IPTV received one federal grant from the U.S. Department of Commerce, one federal grant from the Department of Agriculture, and one federal grant from the Department of Education.

The grant from the Department of Commerce was the National Telecommunications and Information Administration/Public Telecommunications Facilities Program (NTIA/PTFP) (CFDA 11.550) grant for 2005. It was to purchase equipment that needed to be replaced due to damage.

The grant from the Department of Agriculture was the Rural Utilities Service (RUS) (CFDA 10.861) for 2005. It was to upgrade existing translator sites in the KUID viewing area.

The grant from the U.S. Department of Education and Public Broadcasting Service was to fund the *Ready to Learn* program (CFDA 84.295A).

The activity during the fiscal year for these grants is summarized below:

Grant	Award Amount	FY 2005 Received	FY 2005 Expended
NTIA/PTFP	\$105,360	\$5,433	\$105,360
RUS	674,023	57,608*	205,373
Ready to Learn FY 04	60,000	18,000	9,203
Ready to Learn FY 05	60,000	42,000	50,582

*The RUS grant has a \$147,765 receivable that shows up on the governmental fund balance sheet.

The Single Audit requirement will be accomplished by completion of the statewide *2005 Single Audit Report*.

NOTE #10

FUND EQUITY – RESTATEMENT OF BEGINNING FUND BALANCES AND NET ASSETS

During the fiscal year, additional information became available that required restatement of the beginning fund balances and net assets for the Miscellaneous Fund. The Miscellaneous Fund beginning balance was increased by \$419 to correct the effects of a P-card transaction that was not posted properly. The government-wide Statement of Activities includes the above restatement in the Governmental Activities column.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

GENERAL FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Personnel	\$888,600	\$888,600	\$888,600	\$0
Operating	\$706,400	\$706,400	\$706,400	0
Total Expenditures	<u>\$1,595,000</u>	<u>\$1,595,000</u>	<u>\$1,595,000</u>	<u>\$0</u>

Reconciliation to GAAP basis expenditures:

Increase in Payroll Payable	\$659
Decrease in Accounts Payable	(4,331)
Total GAAP Expenditures	<u>\$1,591,328</u>

MAJOR MISCELLANEOUS FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Personnel	\$861,800	\$2,304,276	\$2,195,899	\$108,377
Operating	0	2,256,003	1,890,730	365,273
Capital	0	456,550	356,809	99,741
Total Expenditures	<u>\$861,800</u>	<u>\$5,016,829</u>	<u>\$4,443,438</u>	<u>\$573,391</u>

Reconciliation to GAAP basis expenditures:

Reimbursements Pending	(1,231)
Decrease in Payroll Payable	(1,132)
Increase in Accounts Payable	24,720
Ancillary Inventory Adjustment	(6,103)
Increase in Prepaid Expenses	(1,412)
Total GAAP Expenditures	<u>\$4,458,280</u>

MAJOR FEDERAL FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Operating	\$0	\$60,000	\$60,000	\$0
Capital	0	471,470	310,517	160,953
Total Expenditures	<u>\$0</u>	<u>\$531,470</u>	<u>\$370,517</u>	<u>\$160,953</u>

Reconciliation to GAAP basis expenditures:

Increase in Accounts Payable	13,172
Total GAAP Expenditures	<u>\$383,689</u>

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING

BUDGETARY BASIS OF ACCOUNTING

IPTV's legal budget is prepared using cash basis records. Encumbrances are allowed for budgetary control purposes. Revenues are generally recognized when cash is received, and expenditures are recorded when the related cash disbursement occurs. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from GAAP. The reconciliation at the bottom of the budget and actual statement shows the difference between the budgetary basis and GAAP.

Additional budgeted funds are non-cognizable funds that IPTV transfers to the State from its Friends and Foundation. Non-cognizable funds are funds that IPTV transfers annually from the Friends and Foundation; however, IPTV does not know the extent of the transfers at the start of the year.



Legislative Services Office Idaho State Legislature

Carl F. Bianchi
Director

State Capitol
P.O. Box 83720
Boise, ID 83720-0054
208/334-2475; Fax 334-2125
www2.state.id.us/legislat

November 10, 2005

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Joint Finance-Appropriations Committee
of the Idaho State Legislature
State Capitol Building
Statehouse Mail

Senators and Representatives:

We have audited the basic financial statements of the Idaho Public Television (IPTV) as of and for the years ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered IPTV's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IPTV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was

Mike Nugent, Supervisor
Research & Legislation
mnugent@lso.state.id.us

Jeff Youtz, Supervisor
Budget & Policy Analysis
jyoutz@lso.state.id.us

28

Ray Ineck, Supervisor
Legislative Audits
rineck@lso.state.id.us

Glenn Harris, Supervisor
Network Administration
gharris@lso.state.id.us

Serving Idaho's Citizen Legislature

not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial matters that we reported to IPTV management in a separate letter.

This report is intended solely for the information and use of the Idaho Public Television, the Corporation for Public Broadcasting, and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas Haddock", written in a cursive style.

Thomas Haddock, CPA, CGFM
Legislative Audits

APPENDIX

HISTORY

Idaho Public Television (IPTV) was established in Senate Bill 1476, by the State Board of Education to provide administrative, operational, and programming expertise to the management and staff of Idaho's public television stations. The stations, located in Boise (KAID and KAID-DT, direct television), Pocatello (KISU and KISU-DT), Moscow (KUID and KUID-DT), Twin Falls (KIPT and KIPT-DT), and Coeur d'Alene (KCDT and KCDT-DT) are dedicated to:

- Providing quality educational and cultural television programs from national sources to the Idaho population at large;
- Providing instructional television services to Idaho public schools;
- Providing ancillary telecommunication services to other State institutions and agencies;
- Providing television programs designed to meet specific needs of Idahoans when these programs are unavailable elsewhere; and
- Serving as training centers for college-level students entering the communications field.

STATUTORY AUTHORITY

IPTV derives its authority from the Idaho State Board of Education, which has delegated responsibility to the general manager to administer, coordinate and supervise Idaho's public television stations. No statutory authority exists for IPTV since it is a State Board of Education established entity.

FUNDING

In fiscal year 2005, IPTV received about 58% of its funding from the Friends and Foundation organizations, about 24% from the State's General Fund, about 14% from the Corporation for Public Broadcasting, and about 4% through federal funding.

ORGANIZATION

IPTV is governed by the State Board of Education, which appoints the general manager to manage day-to-day operations of the system. The general manager is responsible for ensuring adherence to local, State and federal regulations by all public broadcasting operations in the State of Idaho, for which the Board is the designated licensee by the Federal Communications Commission. The general manager may establish policies and procedures for internal management of IPTV. Such policies and procedures are subject to the Board's review and action.

At June 30, 2005, IPTV had 54 full-time employees. (See the organizational chart on the following page.)

IDAHO PUBLIC TELEVISION ORGANIZATIONAL CHART

STATE BOARD OF EDUCATION

Idaho Public Television
General Manager
Peter Morrill

Human Resource Specialist
Sandy Crane

Administrative Assistant 2
Kelly Roberts

**Friends of IPTV,
KAID/KIPT, Inc.**

**Friends of IPTV,
KISU, Inc.**

**Friends of IPTV,
KUID/KCDT, Inc.**

Office Specialist 2
Gerry Fields
Tony Howard

**Director of
Technology**
Rich Van Genderen

**Fiscal
Officer**
Phillip Kottraba

**Director of
Broadcasting/
Production**
Ron Pisaneschi

**Director of
Marketing/
Development**
Kim Philipps

**Director of
Communications**
Sandy Streiff

Field Engineer Supv
Larry Smith

Field Engineer
JD Davis
Michael Cramblitt

DTV Chief Eng
Ted Poe

Chief Engineer
Dave Turmmire
Ken Segota

Maint/Ops Engr
Mike Studor
Craig Koster

Integration Analyst
Mary McMahon

IT Systems Op Sup
Kat Robran

Operation Tech
Janette Crancer
Dave Thomason
Dan Ward

Financial Spec
Deb Watanabe

Financial Spec
Karen McConnell

Buyer
Michelle Koehler
Financial Sup Tech.
Kathy Waddell

Traffic Unit
Program Supv
Sherri Walton
Prgm Support Clerk
Jan Lizaso

Moscow
**Mgmt Asst/
Station**
Coordinator
Kris Freeland

Production Unit
Executive Producer
Bruce Reichert
Writer/Reporter/Producer
Joan Cartan-Hansen
Marcia Franklin
Jim Peck
Producer/Director
Al Hagenlock
John Crancer
Production Mgr/Jeff Tucker
Director/Videographer
Alan Austin
Pat Metzler
Ricardo Ochoa

Dir Major/Planned Giving
Deb Furey
Development Dir
Ramona Dopps
Pocatello/Development
Station Coordinator
Kacy Meadows
Underwriting Acct Exec
Sandy Sutherland
Development Associate
Michal Lloyd
Administrative Asst 1
Joyce North
Customer Service Rep 1
Gonzalo Callison
Vicki Peterson
Customer Service Rep 2
Betty Miller

**Design
Services**

Graphic Designer
Morgan Dethman
Stephanie Dickey
Desktop Publisher
Lisa Sommer

**On-Line
Services**

**Web
Developer**
Rick Perlicoff

Info. Services

**Public Info.
Specialist**
Anne Petersen